IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

WRS, INC. d/b/a WRS MOTION PICTURE LABORATORIES, a corporation, Plaintiff, vs. PLAZA ENTERTAINMENT, INC, a corporation, ERIC PARKINSON, an individual, CHARLES von BERNUTH, an individual, and JOHN HERKLOTZ, an individual, Defendants	CIVIL DIVISION No: 00-2041 **COMPLAINT** CODE: Filed on Behalf of: WRS, INC.,d/b/a WRS MOTION PICTURES LABORATORIES Counsel of Record for This Party: Thomas E. Reilly, Esquire Pa. I.D. #25832 THOMAS E. REILLY, P.C. Firm I.D. #511 2025 Greentree Road Pittsburgh, PA 15220 (412) 341-1600

EXHIBIT
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IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

WRS, INC. d/b/a WRS MOTION PICTURE LABORATORIES, a corporation, Plaintiff, vs. PLAZA ENTERTAINMENT, INC., a corporation, ERIC PARKINSON, an individual, CHARLES von BERNUTH, an individual and JOHN HERKLOTZ, an individual, Defendants	)))))))))))))

COMPLAINT

AND NOW, comes the Plaintiff, WRS, Inc., d/b/a WRS Motion Picture Laboratories (hereinafter referred to as "WRS") and files this Complaint against Defendants, Plaza Entertainment, Inc. (hereinafter referred to as "Plaza"), Eric Parkinson (hereinafter referred to as "Parkinson"), Charles von Bernuth (hereinafter referred to as "von Bernuth"), and John Herklotz (hereinafter "Herklotz") averring as follows:

Jurisdiction and Venue

1. Jurisdiction of this claim is based upon diversity of citizenship and amount in controversy in excess of $75,0000 pursuant to 28 U.S.C. §1332.

2. Venue is proper in the United States District Court for the Western District of Pennsylvania because the Defendants, Plaza, Parkinson, von Bernuth, and Herklotz entered into contracts with a Pennsylvania business for services to be rendered in Pennsylvania and caused injuries in Pennsylvania by breaching the aforesaid contracts.

The Parties

3. Plaintiff WRS has its place of business at 1000 Napor Boulevard, Pittsburgh, Pennsylvania 15205 and is engaged in the business of film duplication and fulfillment for various film and video distributors and the administration of the funds created by the distribution of said video and film.

5. Defendant Plaza is a corporation with its principal place of business at 304 North Edinburg Street, Los Angeles, California 90048 which was, at all relevant times hereto, engaged in the commercial exploitation of various film and video titles through licenses, assignment or other transfer of rights granted to it by the producers or other owners of the copyrights in the various film and video titles.

6. Defendant Parkinson is an individual residing at 5025 Gloria Avenue, Encino, California 91436 who was, at all times relevant hereto, a shareholder and Chief Executive Officer of Plaza.

7. Defendant von Bernuth is an individual residing at 11875 Padera Road, Camarillo, California 93012 who was, at all relevant times hereto, the Chief Operating Officer of Plaza.

8. Defendant Herklotz is an individual residing at 2322 "A" Via Ducita, Laguna Hills, California 92653 who was, at all relevant times hereto, the Chairman of the Board of Directors of Plaza

Factual Background

9. In 1996, Parkinson formed Plaza to engage in the commercial exploitation of various film and video titles through licenses, assignment or other transfer of rights

granted to it by the producers or other owners of the copyrights in the various film and video titles

10. On behalf of Plaza, Parkinson obtained for Plaza, and in Plaza's name, the rights to duplicate, distribute and exploit a series of video titles previously owned by Hemdale Entertainment and known as the Hemdale Library.

11. On behalf of Plaza, Parkinson also obtained from various producers, and for Plaza, the right to duplicate, distribute and otherwise commercially exploit a library of approximately one hundred fifty (150) video and film titles, which are known collectively as the "Plaza Library".

12. The rights to commercially exploit the Hemdale Library and the Plaza Library and the outstanding receivables derived by the commercial exploitation of the libraries constituted the principal assets of Plaza.

13. On July 24, 1998, Parkinson, acting as the President and Chief Executive Officer of Plaza, submitted to WRS an account application for the purpose of inducing WRS to provide duplication and fulfillment services to Plaza on a credit basis. A true and correct copy of the Account Application is marked Exhibit "A", attached hereto and made a part hereof.

14. The services that Parkinson requested WRS to provide on a credit basis were essential to Plaza's ability to commercially exploit the libraries because WRS manufactured and delivered the videocassette copies to Plaza's customers.

15. WRS agreed to extend credit to Plaza based upon its receipt of the Account Application, the promises and representations contained therein.

16. The Account Application specifically granted to WRS a security interest in the following property of Plaza: "video duplication services, video cassettes (dubs, masters, sub masters, stock, packaging and associated services and products and proceeds thereof including accounts receivables). The agreement also specified:

> "If the company shall have to enforce its rights under said lien, either the company or any party acquiring ownership of such property at private or public sale shall have, and is hereby granted, a license under the underlying contracts and literary material of such films, to distribute, exhibit, televise and otherwise exploit such titles for its own account in any media."

17. As an additional inducement to WRS to supply duplication and fulfillment services on a credit basis, John Herklotz provided to WRS his personal guaranty of the debt of Plaza. A true and correct copy of this Agreement is marked Exhibit "B", attached hereto and made a part hereof

18. WRS perfected its security interest by filing the required UCC Financing Statements, copies of which are marked Exhibits "C1" and "C2", which also include the signature of Parkinson as President and Chief Executive Officer of Plaza agreeing to the creation of the security interest.

19. As of August 31, 1998, the amount due and owing WRS by Plaza as a result of the video duplication and fulfillment services provided pursuant to the WRS-Plaza Agreement, was the sum of Six Hundred Eighty Five Thousand Three Hundred Seventy Nine and 88/100 Dollars ($685,379.88).

20. Despite Plaza's commitment to WRS, Plaza failed to make payment when due.

21. In order to induce WRS to continue providing the duplication and fulfillment services to Plaza, despite Plaza's failure to pay as agreed, Parkinson and von Bernuth entered into a written "Services Agreement" which, *inter alia,* and in furtherance of the security interest previously granted, provided for the payment into a lock box of all accounts receivable created by the sale of video cassettes supplied by WRS pursuant to the duplication and fulfillment obligations and pursuant to which Parkinson and von Bernuth provided their guaranty to WRS of the obligations owed to WRS by Plaza. A true and correct copy of the Services Agreement is marked Exhibit "D" attached hereto and made a part hereof.

22. In reliance upon Plaza's commitments under the Services Agreement, the security interests granted by Plaza and the personal Guaranties of Parkinson, Herklotz and von Bernuth, WRS continued to provide duplication and fulfillment and n administrative services so that as of June 30, 2000, the obligation owed by Plaza to WRS and guarantied by Parkinson, von Bernuth and Herklotz, and secured by the security interest was the sum of $1,417,357.03, plus accruing interest.

Causes of Action

COUNT I

WRS, Inc. v. Plaza Entertainment, Inc.,

Breach of Contract

23. The averments contained in Paragraphs one (1) through (22) twenty-two are incorporated herein by reference as if fully set forth.

24. Under the terms and conditions of the Account Application, Services Agreement and various invoices submitted by WRS to Plaza, Plaza is obligated, as of the date of this Complaint, to WRS in the amount of $1,417,357.03.

25. By failing to make payment when due under the terms and conditions of the Account Application, Services Agreement and respective invoices, Plaza breached its contracts with WRS.

26. Under the terms and conditions of the Services Agreement, in addition to the amount due and owing set forth above, WRS is entitled to reasonable attorneys fees in collection of the obligation. WRS anticipates it will reasonably incur the sum of One Hundred Thousand Dollars ($100,000) in attorneys fees for the prosecution of this suit and the enforcement of judgment against the assets of Plaza, Parkinson and von Bernuth.

27. In addition, interest continues to accrue in the outstanding indebtedness at the rate of 1.5% per month.

WHEREFORE, WRS, Inc. respectfully demands judgment against Plaza Entertainment, Inc. in the amount of $1,517,357.03 with interest on the outstanding unpaid balance at the rate of 1.5% per month until the obligation is paid in full.

COUNT II

WRS, Inc. v. Charles P. von Bernuth, Eric Parkinson and John Herklotz.

Breach of Contract of Guaranty

28. The averments contained in Paragraphs 1 – 27 of this Complaint are incorporated herein by reference.

29. Under the terms and conditions of the guaranty contained in the Services Agreement signed by Parkinson and von Bernuth, and the guaranty signed by Herklotz,

Parkinson, von Bernuth and Herklotz are jointly and severally obligated to WRS for the outstanding obligation to Plaza, including the obligation of Plaza to pay attorneys fees for collection of the obligation and additional interest until paid.

30. Under the terms and conditions of the guaranty contained in the Services Agreement signed by von Bernuth and Parkinson, and the Guaranty signed by Herklotz, WRS is entitled to additional attorneys fees for the collection of the obligation of Parkinson and von Bernuth as guarantors, which reasonable attorneys fees WRS alleges to be One Hundred Thousand Dollars ($100,000).

WHEREFORE, WRS respectfully demands judgment jointly and severally against, Eric Parkinson and Charles P. von Bernuth and John Herklotz in the amount of $1,517,357.03, plus attorneys fees in the amount of One Hundred Thousand Dollars ($100,000) plus continuing interest at the rate of 1.5% per month on the outstanding balance.

COUNT III

WRS, Inc. vs. Plaza Entertainment, Inc.

Foreclosure of the Security Interest.

31. The averments contained in Paragraphs 1-30 of this Complaint are incorporated herein by reference having the same force and effect as if fully set forth.

32. By reason of Plaza's default under the Account Agreement and Services Agreement, WRS is entitled to foreclosure of its security interest in the property of Plaza, including all of the rights held by Plaza to exploit the titles included in the Hemdale and Plaza libraries, Parkinson and von Bernuth, as officers of Plaza, which was an insolvent corporation.

33. The amount secured by the property subject to the WRS security interest is, as of June 30, 2000, the sum of $1,417,357.03, plus accruing interest at the rate of 1.5% per month, attorneys fees incurred in this action to foreclose and cost of disposition of the collateral.

WHEREFORE, WRS, Inc. respectfully requests that this court enter a judgment in foreclosure in favor of WRS, Inc. and against Plaza Entertainment, Inc. in the sum of $1,417,357.03 plus interest at the rate of 1.5% per month from June 30, 2000, attorney's fees for the maintenance and the costs of this action and that the court enter a judgment for foreclosure and sale of the collateral and decreeing that the sale shall convey a license under the underlying contracts and literary material of such films, to distribute, exhibit, televise and otherwise exploit such titles for its own account in any media

COUNT IV

WRS v Plaza Entertainment, Inc., Parkinson and von Bernuth

Request for Injunction to Prevent Transfer of Collateral.

34. The averments contained in Paragraphs 1-33 of this Complaint are incorporated herein by reference having the same force and effect as if fully set forth.

35. To the best of its information, WRS, Inc. believes that Parkinson has become employed by EnterTech Home Entertainment, Inc., which company intends to acquire the titles and rights in those titles which made up the Hemdale Library and the Plaza Library, which constituted the assets of Plaza and the collateral of WRS.

36. WRS submits that Parkinson, with the knowledge and acquiescence of von Bernuth, engaged in, and continues to engage in conduct, the ultimate purpose of which is to transfer Plaza assets to EnterTech to enable Parkinson to obtain and continue his

employment at EnterTech, and to increase the value of his 20% equity interest in EnterTech.

37. The conduct of Parkinson and von Bernuth with respect to the Plaza assets is in derogation of the security interest of WRS, Inc. and injurious to the rights of WRS, Inc. as the secured party.

38. WRS will be irreparably harmed by the continued conduct of Parkinson and von Bernuth because their actions are intended to and have caused the termination of licenses between the holders of the copyrights in the film titles and Plaza and the transfer of those rights to EnterTech, thereby reducing the value of the security interest of WRS and the rights granted to WRS by Plaza because the licenses enable Plaza to conduct its business.

WHEREFORE, WRS, Inc. respectfully requests that the Court enjoin Eric Parkinson and Charles von Bernuth from conduct, the result of which will be to interfere with the security interest granted by Plaza Entertainment, Inc. to WRS, Inc.

COUNT V.

WRS, Inc. v. Plaza Entertainment, Inc.

Request for Declaratory Relief

39. The averments contained in paragraphs 1 through 38 of this Complaint are incorporated herein by reference having the same force and effect as if fully set forth.

40. The Account Application signed by Plaza provides that upon enforcement of the security interest, WRS or its transferee "shall have, and is hereby granted, a license

under the underlying contracts and literary material of such films, to distribute, exhibit, televise and otherwise exploit such titles for its own account in any media"

41. Upon foreclosure of its security interest, WRS intends to dispose of its collateral and to convey to prospective purchasers of the foreclosed collateral a license under the underlying contracts and literary material of such films, to distribute, exhibit, televise and otherwise exploit such titles for its own account in any media.

WHEREFORE, WRS, Inc. respectfully requests that the Court enter a declaratory judgment decreeing that WRS, Inc. upon foreclosure, and any purchaser of the collateral from WRS, Inc. following the foreclosure, shall receive a license under the underlying contracts and literary material of such films, to distribute, exhibit, televise and otherwise exploit such titles for its own account in any media.

COUNT VI

WRS, Inc. v. Plaza Entertainment, Inc. and Eric Parkinson.

Request for an Accounting at Law

42. The averments contained in paragraphs 1 through 41 of this Complaint are incorporated herein by reference with the same force and effect as if fully set forth.

43. WRS believes and therefore avers that Parkinson and Plaza have engaged in transactions involving assets of Plaza in which WRS has a security interest and have received proceeds from the disposition of the collateral.

44. WRS believes that the proceeds of its collateral have been taken by Parkinson and used in Parkinson's new enterprise, EnterTech Home Entertainment, Inc.

45. The use of Plaza assets to benefit Parkinson or EnterTech, rather than paying the proceeds of WRS's collateral to WRS or Plaza, constitutes a conversion of the

security interest of WRS and because Plaza is an insolvent corporation, a fraud on its creditors.

46. Information regarding the disposition of the assets of Plaza and the WRS collateral are solely in the possession of Parkinson.

47. Under the terms of the account application and the Services Agreement, Plaza, acting through Parkinson, its sole agent and officer, was required to account to WRS for the proceeds of the WRS collateral which WRS believes Parkinson has failed to do.

WHEREFORE, WRS, Inc respectfully requests that the Court require Eric Parkinson to account to WRS, Inc. for his disposition of the collateral of WRS, Inc.

THOMAS E. REILLY P.C.

Thomas E. Reilly, Esquire
Attorney for Plaintiff, WRS, Inc.,
d/b/a WRS Motion Picture
Laboratories

2025 Greentree Road
Pittsburgh, PA 15220
(412)341-1600

WRS Motion Picture & Video Laboratory
1000 Napor Blvd.
Pittsburgh, Pennsylvania 15205

(412)937-7700
(412)922-1020 FAX
(412) 922-7726

ACCOUNT APPLICATION

Applicant's Legal Name: Plaza Entertainment, Inc. D.B.A. Family Universal Network

Street Address: 304 N. Edinburgh

City/State/Zip: Los Angeles CA 90048 Telephone # 213-852-1800 Fax # 213-852-1808

Parent Co. ______ Address ______

Telephone # ______ Fax # ______

Type of Business

✓ Corporation _Non-Profit _Proprietorship _Partnership Fed. ID# 95-4580273

Year Incorporated: March 15, 1996 State of Incorporation: California Year Business Organized: 1996

Is your business in good standing: Yes ✓ No ___

All tax reports required to be filed are current: ✓ Yes ___ No

PERSONAL INFORMATION ON PRINCIPAL OFFICERS, ALL GENERAL PARTNERS, OR ALL GUARANTORS. If additional space is required, please attach.

1 Name: Eric Parkinson — Title: C.E.O. — Social Security No.: 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
Home Address: 5025 Gloria Ave. — City: Encino — State: CA — Zip: 91436 — Home Phone No.: 818-907-1889

2 Name: Charles P. von Bernuth — Title: C.O.O. 11875 PRADERA RD. CAMARILLO CA. 93012 — Social Security No.: 805 50 491-88
Home Address: 11875 PRADERA RD — City: CAMARILLO — State: CA — Zip: 93012 — Home Phone No.: 805-491-8820

3 Name: John C. Herklotz — Title: Chairman — Social Security No.: ______
Home Address: 2322 "A" VIA DUEITA — City: LAGUNA Hills — State: CA — Zip: 92653 — Home Phone No.: 714-454-0270

TRADE REFERENCES (unrelated to applicant or parent)

1 Name of Supplier: J.T. Packaging — Street/P.O. Box: 10746 FRANCISPL #348 — City/State: L.A. 90034 — Telephone No.: 714-903-1636 — Fax No.: ______ — Contact Person: John Tallarico

2 Name of Supplier: Disney Adventures Mag. — Street/P.O. Box: ______ — City/State: ______ — Telephone No.: 310-204-4187 — Fax No.: ______ — Contact Person: ______

3 Name of Supplier: Juniper Pictures Releasing — Street/P.O. Box: 111 GREAT NECK RD #604 — City/State: GREAT NECK NY 11021 — Telephone No.: 516-829-4670 — Fax No.: -4691 — Contact Person: Paul Hrejlanovic

LABORATORIES/VIDEO FACILITIES PREVIOUSLY USED

1 Name: Dubs, Inc. — Street/P.O. Box: 1220 N. HIGHLAND — City/State: CA 90038 — Telephone #: 323-461-3721 — Contact Person: Shelly Yaseen

2 Name: Edgewise Labs — Street/P.O. Box: 5441 East LA Palma — City/State: Anaheim Hills — Telephone #: 714-693-7997 — Contact Person: Marissa Chao

EXHIBIT
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BANK REFERENCES - TWO YEAR HISTORY

1 Bank of America - Century City 2049 Century Park East, Los Angeles, CA 90067
Name of Bank/Branch — Street/P.O. Box — City/State

14179-00891 — 310-785-6054 — Yolanda Velasquez
Chkg. Acct. # — Loan Acct. # — Telephone No. — Contact Officer

2 Imperial Bank 9757 Wilshire Blvd. Beverly Hills, CA 90210
Name of Bank/Branch — Street/P.O. Box — City/State

60-081-131 — 310-417-5600 — Patrick Lee
Chkg. Acct.# — Loan Acct. # — Telephone No. — Contact Officer

TYPE OF PRODUCTIONS: Film ✓ Video ✓ Fulfillment ___
TV ✓ Theatrical ✓ Commercial ___ Educational ✓ Industrial ___ Defense ___ Miscellaneous ___

Estimated Maximum Dollar Requirements for 30 day period: $ 500,000

Sales Tax Exempt No. SRAS 97174917 State California

Have you or your company ever been involved in a bankruptcy or receivership? Yes ___ No ✓

The following financial information may be required to process your application should WRS not be able to obtain sufficient information from trade and bank references supplied. In order to facilitate credit approval inclusion of the following will expedite the credit process.

Corporation: Current interim and last two (2) years financial statements and/or federal income tax returns.
Partnership and Proprietorship: Last two (2) years federal income tax returns.

The above information is for the purpose of obtaining credit and is warranted to be true. I/we hereby authorize WRS to investigate the references listed pertaining to my/our credit and financial responsibility. And I/we authorize WRS to investigate any facts, or obtain and exchange reports regarding this application and/or resulting account with credit reporting agencies and others. Upon request I/we will be informed of each agency's name and address.

I have read, understood and agree to be bound by WRS's terms and conditions included as part of this application. I agree that all credit granted pursuant to the application shall be bound by these terms and conditions. Certifying that all the above information is true and correct as of this date. I understand that any credit now or hereafter given me is made upon the strength of the statements contained herein.

Date: 7-24-98

Applicant's Signature: [signature]

Title: ERIC PARKINSON, PRESIDENT, C.E.O.

TERMS & CONDITION
LIMITATIONS OF LIABILITY

Limitations of the Laboratory

This company respectfully points out that as its prices are never proportionate to value of the negatives, positives, video masters and other client property entrusted to it, Customer's property is received, developed, printed, duplicated and stored, etc. by this Company only at Customer's risk, and this Company does not accept any responsibility for any loss or damage to such material from any cause whatsoever. Customer should therefore, insure all products delivered to this Company against all risks. In no event, including negligence or gross negligence of this Company, shall this Company be liable for the loss or damage of any material delivered to it by or for the account Customer for any amount in excess of the replacement value of the raw film or tape stock involved.

This Company will exercise reasonable care and will exert its best efforts to produce high quality work hereunder, but does not make any warranty nor does it assume any responsibility as to the character or quality of the material or service to be furnished or provided by it hereunder, nor as to the results of any of its undertakings hereunder. Without limiting the foregoing in any particular, this Company shall not be liable for loss of any kind whatsoever due to delays or failure in performance caused directly or indirectly by Acts of God, strikes, fire, failure of transportation agencies, public enemy, the elements, war, insurrection, shortages of labor or material, Government regulation, damage or accident to machinery or equipment, electric power or other utility failures, injury or damage to, or loss of, films delivered to this Company by Customer, or any other cause.

Limitations of Warranties

THIS COMPANY GIVES NO WARRANTY, EXPRESS OR IMPLIED, AS TO MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE, DESCRIPTION, QUALITY OR OTHERWISE WITH RESPECT TO THE DEVELOPMENT, PRINTING AND PROCESSING OF FILM, VIDEO TRANSFER, DUPLICATING OR PACKAGING AND OTHER SERVICES OR MATERIAL PROVIDED BY IT.

Laboratory Lien on Film or Tapes

In addition to any other liens or remedies given to this Company under applicable law or elsewhere in these conditions, this Company shall have a security interest in and a lien on all original material, dupes, prints, masters, dubs and other property of Customer as security for the payment of the services and materials furnished to Customer in connection with the particular film, tape or other property in custody of this Company but also on any other film, tape or property of Customer obtained either prior to or subsequent to this Company's acquisition or possession of the property upon which such security interest or lien is being asserted. Customer hereby agrees that this Company shall have all the rights of a secured creditor under Pennsylvania and other applicable law with respect to all film, tape and other property of Customer in possession of this Company.

The Customer agrees that if the Company shall have to enforce its rights under said lien, either the Company or any party acquiring ownership of such property at private or public sale shall have, and is hereby granted, a license under the underlying contracts and literary material of such films, to distribute, exhibit, televise and otherwise exploit such titles for its own account in any media.

The Company will store negatives and positives of films and videotapes during the time of production and release printing or dubbing and for a reasonable period thereafter, for up to six months after last release prints or dubs are made by Company. However, Customer acknowledges that Company is not a warehouse and that it is not economically feasible for, nor is it a proper function of the laboratory to provide storage for negatives or masters which are used only occasionally for libraries, reruns, etc., and therefore, it will be necessary to charge a monthly storage for all materials left with the Company beyond the primary manufacturing period.

Within thirty days after written notice from this company, Customer agrees to remove at its own expense, all extraneous elements contained in said notice from this Company. In the event the Customer fails to remove all or any part of said elements, this Company shall have the right to destroy or otherwise dispose of such elements without liability to customer or any other person. Customer hereby covenants and agrees to indemnify and hold this Company harmless from all liability arising out of or in connection with the destruction or disposition of any such titles or elements of same.

Customer agrees that failure to pay said incidental charge for storage and keeping shall give the Company a lien on the film, tape or other property for such charges and the right to sell the film to satisfy said lien and costs of sale pursuant to Pennsylvania Law.

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The Customer agrees to remove from this Company's premises, all negative and positive outtakes, trims, and unused films, tape or other property in connection with each project produced by Customer within ninety days after the completion of said project, or within ninety days after the last work thereon in case production on said project is terminated, and further agrees that upon Customer's failure to do so, this Company may dispose of such outtakes, trims an unused material as it sees fit, including the destruction thereof. Customer agrees to indemnify and hold this Company harmless from all liabilities arising out of or in connection with this Company's disposition or destruction of such left-over material. Lab disposition of materials or communications may be to the last known address of Customer, in which case laboratory shall not be obligated to search further for Customer.

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Should a print or dub be found defective, or labeled or shipped in error, the Company will promptly replace or repair such defective product and/or correct an error in shipment at its expense, provided the defective print or dub is returned and written notice of such imperfection and/or error in labeling or shipment is given this Company within twenty days after shipment. But, in no event shall this Company be liable for any consequential damages. Company's liability to Customer or any other person shall be limited to the replacement or repair of defective prints or dubs or the correction of such errors in shipment or labeling. A check-print or dub must be ordered by Customer from any duplicate negative, positive or master made. Video check dubs are also recommended to be viewed by the customer prior to making volume orders, so that the customer can be sure that the result meets their expectations. This Company will replace duplicate negatives, positives or submasters, etc., if WRS work is found to be defective by way of such check-print/dub.

Minimum and Special Prices

The per foot or per unit ch s specified on the regular schedules are predicated n a production basis and are calculated so as to give the Customer the best price possible on volume orders. Processing and operations on short lengths of film or tape create special conditions which necessitate the establishment of minimum and/or additional charges as listed.

All prices are subject to any fluctuation in cost of raw material and labor, retroactive to effective date thereof and are subject to change without notice.

Standard Synchronization

Preprint material must be provided with standard leaders bearing clear and proper synchronization marks. Any errors in synchronization shall be the responsibility of the Customer. Customer agrees to indemnify and hold this Company harmless from all liability arising out of or in connection with errors in synchronization.

Old Negatives

Old or shrunken negatives, or those showing any unusual photographic or physical condition, breaking splices, etc., are accepted for printing with the understanding that a charge will be made for lost time and/or materials whether or not a satisfactory print is ultimately produced.

Customer understands and acknowledges that it is this Company's policy not to accept or process any nitrate material without our knowledge. Customer warrants that none of the film elements or film delivered to or stored with this Company contain or will ever contain nitrate, except with advance laboratory knowledge and written consent. Customer agrees to indemnify and hold this Company harmless from all liabilities arising out of or connected with any nitrate film elements or film for Customer or other persons delivered to or stored with Company by Customer with or without Company's consent.

Shipping, Handling Charges

All prices are F.O.B. this Company's laboratory where such work was done and are subject to any and all applicable state and local taxes. In the absence of any & insurance other instructions from the Customer, Company will make shipments via the carrier of its choice subject to that carriers standard insurance rate unless client specifically requests in writing additional insurance which in all cases is at Customer's expense.

Delivery of Film or Tapes

Any shipping dates or delivery dates given to Customer by this Company are approximate and for Customer rough guidance only if any conditions whatsoever arise which prevent compliance with delivery schedule, this Company shall not be liable to Customer or any other person or entity for any losses, damage, liability or delay in delivery nor for failure to give notice of delay and such delays shall not constitute grounds of cancellation or defense set off or counterclaim.

Customer Liability

This Company may refuse to print, process or make dubs without incurring any liability to Customer, any film or tape which this Company in its sole discretion deems unlawful, pornographic, degrading or which it deems as tending to incite prejudice or passion. Customer hereby agrees to indemnify and hold this Company harmless from all liability arising out of or in connection with publication, processing, distribution, exhibition or content of film, tapes, or other elements delivered to Company, including liability for libel, slander, invasion of privacy, defamation of character, violation of any patent, copyright, trademark or any other proprietary right. Customer agrees, upon written notice from this Company at Customer's sole cost and expense to promptly defend any claim, demand, action or preceding of whatsoever nature in any jurisdiction to which this Company may be a party or which it may be threatened to be made a party which involves or is based all or in any part on any liability which Customer has agreed to indemnify and hold this Company harmless under any provision of these conditions.

Ownership of Films or Tapes

Customer warrants that it is the sole owner of all films or tapes delivered to Company by Customer or for Customer's account for storage, developing, printing, processing or duplicating of any kind or for any other purpose. Customer warrants that it now and at all times while any such element is in possession of this Company will be the sole owner and proprietor of all necessary rights in connection with any such element, including without limitation the copyright of such film or tape, the music, motion picture, television, literary and dramatic rights. Customer warrants that the film and tapes delivered to or in possession of this Company are not subject to any security interest, assignment, lien or encumbrance of any person or company. As long as Customer is indebted to this Company or any films or tapes of Customer are in the custody or possession of this Company, Customer agrees not to pledge, hypothecate, assign or in any other manner encumber said film or films or any rights to said film or films without the prior written consent of this Company.

Terms of Payment

Customer agrees to pay Company for all services performed and materials supplied to Customer, within 30 days after such items are invoiced. Customer agrees to pay all costs and expenses incurred by Company in connection with the enforcement of any of the Company's rights hereunder, including Company's right to the collection from Customer of any sums due or to become due at any time from Customer. Included in the term "costs and expenses" customer agrees to pay actual attorney's fees which customer agrees shall be deemed to be fair and reasonable.

Any claims which Customer may have against Company for adjustment or which in any way would affect any invoice must be presented to Company in writing no later than thirty days from the date of the invoice in question. Customer hereby irrevocably waives any claim for any such adjustment or change or modification in any such invoice in which such claim is not presented in writing to Company within said thirty-day period.

To: WRS Motion Picture & Video Laboratory
1000 Napor Boulevard
Pittsburgh, Pennsylvania 15205

Re: John Herklotz /Plaza Entertainment
2322 "A" Via Puerta
Laguna Hills, CA 92653
Attn: John Herklotz

To induce you to sell merchandise and/or extend credit to Debtor and in consideration thereof, Plaza Entertainment and all of it's related divisions and subsidiaries hereby, for good and valuable consideration of the receipt of which is hereby unconditionally guarantees the complete and prompt payment, when due, of any indebtedness which may at the present time or at any time hereafter and from time to time be owing to you by Debtor. If Debtor shall make an assignment for the benefit of creditors, or if there shall be filed by or against Debtor, in any court, a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of Debtor's property, then for the purpose of this guaranty all indebtedness then owing to you will forthwith be due and payable. This guaranty is direct and unconditional, and may be enforced without first resort to any other right, remedy or security which you have. The undersigned waives notice of acceptance hereof, all prior notice of default and demand for payment.

You shall have the unrestricted right to renew, extend, modify and/or compromise any indebtedness, and to accept, substitute surrender or otherwise deal with any collateral security or other guaranties, without notice to the undersigned and without affecting the obligation of the undersigned hereunder.

This guaranty shall continue at all times and shall remain in full force and effect until such time as you shall receive from the undersigned, by registered mail, written notice of revocation. Such notice of revocation shall not be effective as to any indebtedness existing at the time you shall receive the notice or as to any transaction or commitment previously undertaken by you in reliance upon this guaranty.

Any indebtedness of Debtor now or hereafter owed to the undersigned is hereby subordinated to pay the indebtedness now or hereafter owing to you. The undersigned agrees to pay a reasonable attorney's fee and all other costs and expenses which you may incur in the enforcement of this guaranty. This guaranty and every part thereof shall inure to the benefit of the successors and assigns of WRS Motion Picture & Video Laboratory.

This guaranty cannot be altered, amended or terminated orally, but only by agreement in writing.

This guaranty shall be construed under the laws of the State of Pennsylvania.

Witnessed by: Cara L. Harris

John Herklotz [signature]
John Herklotz

*PLEASE SIGN ON THE LINE AND PRINT YOUR NAME BELOW THE LINE

Address of Witness
1904 E. Wilson #5
Orange, CA 92867

STATE OF California)ss:

COUNTY OF Orange)

On the 6th day of May 1998, before me personally came John Herklotz to me known, and known to me to be the individual described in, and who executed the foregoing instrument, and he acknowledged to me that he executed the same.

[signature]
Notary Public
Dana McCracken, Notary Public

DANA MC CRACKEN
Commission # 1156980
Notary Public - California
Orange County
My Comm. Expires Sep 27, 2001

EXHIBIT
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TOTAL P.02

FINANCING STATEMENT
Uniform Commer Code Form UCC-1
IMPORTANT-Please read instr ns on reverse side of page 4 before pleting

PARTIES

r name (last name first if individual) and mailing address:

iza Entertainment
N. Edinburgh
Angeles, CA 90048

1

r name (last name first if individual) and mailing address:

1a

or name (last name first if individual) and mailing address:

1b

ured Party(ies) names(s) (last name first if individual)
security interest information:

RS, Inc.
000 Napor Blvd.
ittsburgh, PA 15205

signee(s) of Secured Party name(s) (last name first if indiv
dress for security interest information:

2a

pecial Types of Parties (check if applicable):

☐ The terms "Debtor" and "Secured Party" mean "Lessee" and "Lessor," respectively.

☐ The terms "Debtor" and "Secured Party" mean "Consignee" and "Consignor," respectively.

☐ Debtor is a Transmitting Utility.

3

SECURED PARTY SIGNATURE(S)

This statement is filed with only the Secured Party's signature to perfect a security interest in collateral (check applicable box(es))-

a. ☐ acquired after a change of name, identity or corporate structure of the Debtor.

b. ☐ as to which the filing has lapsed.

c. already subject to a security interest in another county in Pennsylvania-
☐ when the collateral was moved to this county.
☐ when the Debtor's residence or place of business was moved to this county.

d. already subject to a security interest in another jurisdiction-
☐ when the collateral was moved to Pennsylvania.
☐ when the Debtor's location was moved to Pennsylvania.

e. ☐ which is proceeds of the collateral described in block 9, in which a security interest was previously perfected (also describe proceeds in block 9, if purchased with cash proceeds and not adequately described on the original financing statement).

Secured Party Signature(s)
(required only if box(es) is checked above):

Filing No. (stamped by filing officer):

Date, Time, Filing Office (stamped by filing officer):

5

This Financing Statement is presented for filing pursuant to the Uniform Commercial Code, and is to be filed with the (check applicable box):

☒ Secretary of the Commonwealth.

☐ Prothonotary of ________ County.

☐ real estate records of ________ County.

6

7

Number of Additional Sheets (if any):

8

Special Identif...

... video cassettes
...ters, stock,
...ervices and products
...luding Accounts
extent of the Security
...count Receivable shall
...mount of WRS' billings

9

☐ (check only ... ...cts of the collateral are also covered.

Identify related real ..., if applicable: The collateral is, or includes (check appropriate box(es))-

a. ☐ crops growing or to be grown on -

b. ☐ goods which are or are to become fixtures on -

c. ☐ minerals or the like (including oil and gas) as extracted on -

d. ☐ accounts resulting from the sale of minerals or the like (including oil and gas) at the wellhead or minehead on -

the following real estate:

Street Address:

Described at: Book ________ of (check one) ☐ Deeds ☐ Mortgages, at Page(s) ________

County. Uniform Parcel Identifier for ________

☐ Described on Additional Sheet.

Name of record owner (required only if no Debtor has an interest of record):

10

DEBTOR SIGNATURE(S)

Debtor Signature(s):

1 [signature] ERIC PARKINSON, President

1a

1b

RETURN RECEIPT TO:

WRS, Inc.
1000 Napor Blvd.
Pittsburgh, PA 15205
Attn: John Purdy

EXHIBIT
C-1

...NAL
...ill not be returned by the Department of State.

STANDARD FORM - FORM UCC-1 (7-89)
Approved by Secretary of Commonwealth of Pennsylvania

REORDER FROM Registre, 514 PIERCE ST. P.O. BOX 214 ANOKA, MN 553.. (612) 421-1713

THIS SPACE FOR USE OF FILING OFFICER

FINANCING STATEMENT — FOLLOW INSTRUCTIONS CAREFULLY

This Financing Statement is presented for filing pursuant to the Uniform Commercial Code and will remain effective, with certain exceptions, for 5 years from date of filing.

A. NAME & TEL. # OF CONTACT AT FILER (optional)

B. FILING OFFICE ACCT. # (optional)

C. RETURN COPY TO: (Name and Mailing Address)

WRS, Inc.
1000 Napor Blvd.
Pittsburgh, PA 15205
Attn: John Purdy

D. OPTIONAL DESIGNATION (if applicable): LESSOR/LESSEE | CONSIGNOR/CONSIGNEE | NON-UCC FILING

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b)

1a. ENTITY'S NAME: Plaza Entertainment

OR

1b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX

1c. MAILING ADDRESS	CITY	STATE	COUNTRY	POSTAL CODE
304 N. Edinburgh	Los Angeles	CA	USA	90048

1d. S.S. OR TAX I.D.#: 95-4580273 | OPTIONAL ADD'NL INFO RE ENTITY DEBTOR | 1e. TYPE OF ENTITY | 1f. ENTITY'S STATE OR COUNTRY OF ORGANIZATION | 1g. ENTITY'S ORGANIZATIONAL I.D.#, if any | NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b)

2a. ENTITY'S NAME

OR

2b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX

2c. MAILING ADDRESS | CITY | STATE | COUNTRY | POSTAL CODE

2d. S.S. OR TAX I.D.# | OPTIONAL ADD'NL INFO RE ENTITY DEBTOR | 2e. TYPE OF ENTITY | 2f. ENTITY'S STATE OR COUNTRY OF ORGANIZATION | 2g. ENTITY'S ORGANIZATIONAL I.D.#, if any | NONE

3. SECURED PARTY'S (ORIGINAL S/P or ITS TOTAL ASSIGNEE) EXACT FULL LEGAL NAME - insert only one secured party name (3a or 3b)

3a. ENTITY'S NAME: WRS, INc.

OR

3b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX

3c. MAILING ADDRESS	CITY	STATE	COUNTRY	POSTAL CODE
1000 Napor Blvd.	Pittsburgh	PA	USA	15205

4. This FINANCING STATEMENT covers the following types or items of property:

Video duplication services, video cassettes (dubs), masters, sub-masters, stock, packaging and associated services and products and proceeds thereof including Accounts Receivable; However, the extent of the Security interest in Plaza's Accounts Receivable shall be limited to the amount of WRS' Billings to Plaza. [signature] ERIC PARKINSON PLAZA ENT. INC. President

5. CHECK BOX (if applicable) — This FINANCING STATEMENT is signed by the Secured Party instead of the Debtor to perfect a security interest (a) in collateral already subject to a security interest in another jurisdiction when it was brought into this state, or when the debtor's location was changed to this state, or (b) in accordance with other statutory provisions (additional data may be required)

7. If filed in Florida (check one): Documentary stamp tax paid | Documentary stamp tax not applicable

6. REQUIRED SIGNATURE(S): [signature] ERIC PARKINSON President

8. This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Attach Addendum (if applicable)

9. Check to REQUEST SEARCH CERTIFICATE(S) on Debtor(s) (ADDITIONAL FEE) (optional): All Debtors | Debtor 1 | Debtor 2

EXHIBIT C-2

(1) FILING OFFICER COPY — NATIONAL FINA...) (TRANS) (REV. 12/18/95)

REORDER FROM Registré, Inc. 514 PIERCE ST. P.O. BOX 218

SERVICES AGREEMENT

THIS SERVICES AGREEMENT between WRS, Inc. ("WRS") and Plaza Entertainment, Inc. ("Plaza") and its principals—Eric Parkinson, Charles vonBernuth and Thomas Gehring, is made as of this 12th day of October, 1998.

A. Plaza and WRS have an existing manufacturing and business relationship, and Plaza has an immediate need for (i) working capital financing ("Financing") and (ii) certain administrative services, including, generation of sales invoices, collection of accounts receivables, performance of general accounting and related record keeping functions, monitoring and maintenance of inventories of packaging, finished goods, returns processing and repackaging (collectively, the "Administrative Services").

B. Plaza also needs to purchase post production services and video dubs (copies) in the normal course of its business (collectively, "Production Services"), has been obtaining Production Services from WRS on an open account basis pursuant to that certain Credit Application given by Plaza to WRS and WRS' standard terms and conditions ("Standard Terms") of sale which are a part of the Credit Application. Plaza owes WRS approximately $585,379.88 as of August 31, 1998 (subject to review and verification thereof), plus applicable interest thereon, for Production Services previously performed by WRS (the "WRS Receivable").

C. WRS, to enhance and increase its business relationship with Plaza, Eric Parkinson, Charles vonBernuth and Tom Gehring, and protect its interest in the WRS Receivable, is willing to perform the Administrative Services and continue to perform Production Services for Plaza on the terms and conditions described in this Agreement (all invoices for Production Services performed by WRS after the date of this Agreement are referred to as "New Invoices").

In consideration of the mutual promises set forth in this Agreement, the parties agree as follows.

Section 1. Administrative Services. Plaza hereby appoints and employs WRS as Plaza's exclusive agent to perform the Administrative Services for Plaza. WRS accepts said appointment and agrees to perform the Administrative Services for Plaza in accordance with the terms and conditions set forth in this Agreement. The performance of all activities by WRS, including the maintenance of all bank accounts relative to the Administrative Services, shall be as the agent of and for account of the Plaza. Plaza and WRS agree to arrange for a "lock box" or other similar arrangement with National Bank of Canada, its successor or other financial institution (the "Bank") for receipt of payment of Plaza's accounts receivable and distribution of such receipts in accordance with the terms of this Agreement. As compensation for the

EXHIBIT
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Administrative Services, Plaza shall pay to WRS a monthly fee (the "Monthly Fees") equal to the greater of (i) $5,000 or (ii) one percent of the aggregate amount invoiced by WRS for Production Services during such month (but not to exceed $20,000 per month). In addition, Plaza shall reimburse WRS for all out of pocket expenses incurred by it in the performance of the Administrative Services (but excluding any personnel costs). WRS shall provide Plaza with a monthly statement setting forth the fees and expenses incurred on behalf of Plaza during such month, each of which shall be paid directly by Plaza to WRS within 30 days of the statement date. In the event any invoice remains unpaid after 30 days, WRS shall have the right to instruct the Bank to make payment of such invoice to WRS from the funds in the lock box account.

Section 1.1 Distribution of Lockbox Funds. The parties agree that until such time as all amounts owed to WRS by Plaza are less than 60 days, WRS shall instruct the Bank to distribute the funds in the lockbox account on a weekly in accordance with the following procedures:

1. With respect to each payment made by a customer of Plaza which is received during such week, WRS shall match such payment to the WRS invoice to Plaza for the products which are the subject of such customer's payment. If the payment (i) relates to the WRS Receivable then WRS and Plaza shall instruct the Bank to distribute an amount equal to 50% of each such payment to WRS and (ii) (ii) relates to a New Invoice from WRS and Plaza shall instruct the Bank to distribute an amount equal to 30% of each such payment to WRS;

2. WRS shall instruct the Bank to distribute the remaining funds to Plaza or in accordance with Plaza's instructions.

It is the intention of the parties that the arrangement contemplated above will result in each New Invoice being paid in full within 60 days of the date of such invoice. To the extent that New Invoices are not kept current under the distribution arrangement set forth above the parties agree to negotiate in good faith an appropriate distribution arrangement which will keep Plaza current on New Invoices; provided however in no event shall any New Invoice remain unpaid for more than 89 days after the date of such New Invoice.

Section 1.2 Incentive. As an incentive to foster the business relationships contemplated by this Agreement and to provide financial assistance to Plaza, WRS agrees to provide Plaza a credit against the WRS Receivable equal to fifty cents on the first 300,000 dubs that WRS produced for Plaza, such credit to be applied on the first anniversary of this Agreement or such earlier date as Plaza shall become current on all outstanding invoices from WRS; provided, however, such credit shall only be made if Plaza has fully complied with the terms of this Agreement.

Section 2 WRS' Internet Web Site. WRS agrees to place all of Plaza's titles, including the Hemdale titles, on WRS' Internet Web Site at full retail prices to obtain additional marketing exposure for Plaza.

Section 3 Assistance. WRS agrees to assist Plaza in its efforts to obtain adequate and appropriate financing with National Bank of Canada and/or other entities WRS deems appropriate, by effecting introductions to such entities, and if required, by partially subordinating its security interests in the WRS Receivable provided that the proceeds of such financing are used to satisfy a portion of such Receivable. Any resultant financing will be subject to Plaza's approval. It is mutually agreed that Plaza and its principals, Eric Parkinson, Charles vonBernuth and Tom Gehring (collectively, the "Principals"), will execute such documents as are required to accomplish the foregoing and to confirm that WRS shall have a security interest in all proceeds from all business activities of Plaza from any and all sources (excluding video kiosks), and/or any future entity WRS may designate to perform this function by until further notice; provided, however, that at such time as Plaza shall be current on payment of all invoices, the security interest in proceeds granted to WRS under this Section shall be limited to the proceeds of Plaza's distribution activities in the United States.

Section 4 Production Services. Plaza agrees that WRS shall have the sole and exclusive rights to perform Production Services for Plaza for all videos to be distributed in the United States, and WRS agrees to perform such Production Charges for Plaza in accordance with the current prices between WRS and Plaza in effect (copy attached) and reviewed annually. All other WRS services not listed that Plaza requires will be discounted 25% from WRS' then published prices. Plaza further agrees that WRS shall be its exclusive supplier of dubs and all of those other services WRS routinely provides for Plaza's product delivery to its domestic and international clients.

Section 5 Term. This Agreement shall remain in effect until such time as the WRS Receivable and New Invoices shall have been paid in full. Thereafter, either party shall have the right to terminate this Agreement by giving the other party ninety days' written notice of termination. In the event of price disagreements at any annual price renegotiation contemplated in Section 4, WRS shall have the right of first refusal, but not the obligation to match any bona fide written competitive offers made by other first class laboratory facilities. It is mutually agreed that any such price reductions shall be correspondingly matched with the caliber and quality of workmanship and materials as are being offered by the competitive laboratory.

Section 6 Security Interest; Financial Information; Guaranty. Plaza hereby acknowledges that Plaza has granted WRS a security interest in certain collateral (the "Collateral") described in the UCC-1 Financing Statements previously filed with the Secretaries of State of California and Pennsylvania, copies of which are is attached to this Agreement, and agrees that it shall execute such documents as may be reasonable required by WRS to maintain the effectiveness of such filings and to protect WRS' interest in such Collateral to the extent reflected on such Financing Statements. In addition, Plaza shall provide WRS and/or National Bank of Canada with all such financial information concerning Plaza as WRS and/or National Bank of Canada shall reasonably request in order that WRS and/or National Bank of Canada can monitor Plaza's financial position and WRS can provide such administrative assistance as Plaza may from time to time require. In the event of a breach by Plaza of any of the terms of this Agreement or in the event Plaza shall become insolvent, WRS shall have the right to exercise

OCT.12.1999 4:15PM. NO. 2 P.5/6

any and all remedies as a secured creditor provided by provisions of the Uniform Commercial Code in effect where such Collateral is located. As a further inducement to WRS to enter into this Agreement, each of the Principals hereby guaranties the performance by Plaza of its obligations under the terms of this Agreement, including the payment of the WRS Receivable and New Invoices, and any other charges, expenses (including reasonable attorney's fees) and costs reasonably incurred by WRS in any proceeding to enforce any of the terms of this Agreement (collectively, the "Collection Expenses")

Section 7 Acknowledgements. The parties acknowledge and agree that this Agreement is intended to set forth the parameters of a working relationship which will promote their individual interests and to provide with WRS with incentives to continue to perform Production Services for Plaza. Accordingly, the parties agree to negotiate in good faith to establish the procedures necessary, and to execute any and all documents and further agreements that may be reasonably required, to more fully implement the terms of this Agreement.

Plaza Entertainment

By________________ ________________
Title: Witness

________________ ________________
Tom Gehring, Principal Witness

________________ ________________
Charles vonBernuth, Principal Witness

________________ ________________
Eric Parkinson, Principal Witness

WRS, Inc.

By________________
Title: